GOVERNMENT OF INDIA
MICRO, SMALL AND MEDIUM ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:2609
ANSWERED ON:16.12.2008
CLOSURE OF COTTAGE INDUSTRIES
Chavda Shri Harisinh Pratapsinh

Will the Minister of MICRO, SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a): whether the cottage industries in rural, tribal areas and villages are closing down due to liberalisation;

(b): if so, the total number of such industries closed during each of the last three years and the current year, State-wise;

(c): the norms laid down to identify the sick cottage industries;

(d): the steps taken by the Government for providing market to these industries and also to save them from closure; and

(e): the success achieved by the Government in this regard?

Answer

MINISTER OF MICRO,SMALL & MEDIUM ENTERPRISES(SHRI MAHABIR PRASAD)

(a): With the globalisation of Indian economy, the cottage industries in the country,including the village industries set up with the assistance provided through the Khadi and Village Industries Commission (KVIC) are facing greater competition in the market.However, there is no report of closure of any agro based small industrial unit as a result of competition from the multinational companies.In fact,liberalisation has resulted in realization by the units that their operations have to be efficient, cost effective and based on optimal employment of resources.This has oriented the cottage industries towards sustainability which is a healthy trend in the long run.

Some Village Industry units /self-employment ventures do suffer losses and close down.The reasons for such losses include use of obsolete technology, inconsistent quality of products, product design not being in keeping with market demand, lack of entrepreneurial and managerial skills, etc.

(b): Does not arise.

(c): No separate norms have been laid down by the Government (in the Ministry of Micro, Small and Medium Enterprises) to identify the sick cottage industries.

(d) & (e): In order to protect the market of KVI units, various initiatives have been taken by KVIC, such as brand building, price competitiveness,quality control, etc., which are expected to help the rural industries to compete with multinational companies marketing similar products. Brand building measures have been taken by introducing, three brands such as `Desi Aahar`, `Khadi` and `Sarvodaya` for the benefit of products under KVI sector. Price competitiveness is sought to be achieved through lowering capital cost, provision of marketing facilities,organizing exhibitions, financial support from KVIC and providing various export incentives. Quality of products is ensured by extending financial assistance for testing laboratories and ensuring better packaging of items, products diversification etc., by launching special schemes, providing Common Service Centres under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI).

Major initiatives have also been taken in export promotion. Government has accorded the status of deemed Export Promotion Council to KVIC which would further help in the export of KVI products through participation in the international exhibitions and introduce KVI items in international market.

Efforts were also continued to increase the efficiency and skill of sales personnel,including managers of the sales outlets of certified Khadi institutions/aided agencies of KVI Boards as well as departmental sales outlets of KVIC.Refresher training programmes have been organized through National Institute for Entrepreneurship and Small Business Development and training provided to sales personnel.

As a further step towards improvement in packaging, a Memorandum of Understanding (MoU) was signed by KVIC with Indian Institute of Packaging,on 29.11.2007 under which various facilities like packaging improvement in KVI sector through research,problems solving, consultancy, training, information dissemination and other promotional efforts would be made available to the KVI institutions/units to take the benefits.

Special exhibitions at different places have been organized by bringing together various agencies such as Small Industries

Development Organisation (SIDO), Coir Board, National Small Industries Corporation (NSIC) and KVIC.